



DENISE MERRILL

SECRETARY OF THE STATE
CONNECTICUT

**GAE Committee
Public Hearing Testimony
February 17, 2012**

Good Morning Chairman Morin, Chairman Slossberg and members of the committee. For the record my name is Denise Merrill and I am Secretary of the State of Connecticut. I would like to briefly address five bills before the committee this morning.

- **Raised Bill 36 "AN ACT CONCERNING REVISIONS TO THE STATE CODES OF ETHICS"**

This bill has one small impact on the office of the Secretary of the State. All state officials who are required to make financial disclosures of their assets and liabilities are required to make those disclosures with the Office of State Ethics. The only officials not required to do so are the directors from the Public Utility Control Authority, formerly the called the DPUC.

According to General Statutes Sec. 16-2, "The commissioners of the authorityshall make full public disclosure of their assets, liabilities and income at the time of their appointment, and thereafter each member of the authority shall make such disclosure on or before July thirtieth of each year of such member's term, and shall file such disclosure with the office of the Secretary of the State."

Raised Bill No. 36 would make the office of state ethics, instead of the Secretary of the State's office, the repository for disclosures from the Public Utility Control Directors. This bill makes a lot of sense and would streamline the filing of financial disclosure forms by moving all of these filings to the office of state ethics, which is where they should be filed. I support this bill because it makes more sense administratively to house all of these filings in one office, an office that deals with these types of filings.

- **Raised Bill 37 “AN ACT CONCERNING COST SAVING MEASURES AND NOTICE OF LEGISLATIVE SESSIONS”**

This is a similar bill to one that was raised last year. Right now the Secretary of the State’s office is required to notify the each legislator by first class mail of pending special legislative sessions. This is very costly and frankly ineffective, as most of you are notified by email or phone by your caucus leadership when a special session is coming up.

This bill would allow our office to use other means, such as hand delivery of notice of special sessions into your legislative mailboxes, and/or email as a notification method. This would save taxpayers thousands of dollars in postage every year and be a more effective means of communicating with lawmakers about upcoming special sessions.

- **Raised bill 38 “AN ACT CONCERNING THE PUBLISHING OF EXECUTIVE ORDERS PROCLAIMING AN EMERGENCY BY THE SECRETARY OF THE STATE”**

This bill addresses some similar concerns. This issue very much came to light last year when we experienced two major, disastrous storms in Hurricane Irene and the freak October snowstorm, where in each case there were hundreds of thousands of Connecticut residents left without power. These disasters also brought a number of emergency disaster declarations by the governor’s office.

Current statutes require our office to publish these emergency executive orders in print newspapers that are published in each of Connecticut’s eight counties. Frankly, this requirement is anachronistic and very costly to taxpayers. For these two storms alone, the cost of publishing these executive orders in papers in eight counties was nearly \$50,000 that in a very tight budget year was hard to find.

Also, the current statute was written at a time when we did not have the internet or broadcast media, so literally the only way of getting the word out about emergency declarations and suspensions of certain laws was through the printing of these orders in local or regional newspapers. The Governor’s office actually sends these emergency declarations to all media anyway through its news releases, so this requirement for publication by the Secretary of the State’s office is also redundant.

This bill would allow our office to simply post these emergency declarations online on the Secretary of the State’s website and publish them in the Connecticut Law Journal. The Connecticut Law Journal is published weekly by the Office of Legal Publications within the Judicial Branch. The Journal publishes Supreme and Appellate Court opinions, regulations of state agencies and other important legal notices. Publication in the Law Journal would ensure that a hard copy is created for law libraries, town halls, public libraries, attorneys, other subscribers and posterity. It would also ensure timely, official publication since the Journal is published weekly.

I support this bill because it would save taxpayers a significant amount of money and still fulfill the obligation to make these emergency orders publicly available.

- **Raised Bill 5025, "AN ACT CONCERNING THE OWNERSHIP OF PUBLIC ACCOUNTING FIRMS"**

This bill would change a requirement that all of the equity owners of a public accounting firm hold a valid public accountancy license to only require a simple majority of the equity owners hold such a license. It would also permit such license to be issued by this state, another state, or a territory of the United States.

As you know, the State Board of Accountancy was merged into the Office of the Secretary of the State's Office in last year's budget. I am offering my support today on behalf of the Board of Accountancy, whose members support this bill.

The bill recognizes a modern trend in the ownership structure of accounting firms. Today's accounting firms often bring in non-accountant specialists including MBAs, Engineers, technology and valuation specialists who contribute a great deal to the success of the firm. This is especially true for CPA firms that do audit work. Global competition, the complexity of business structures and transactions, innovative financial transactions, and rapid technological breakthroughs are the norm and not the exception. The trend in the industry is to recognize the contribution through the offer of equity in the firm.

Currently, 48 states allow for non-CPA ownership (many for decades), as recommended by the American Institute of CPAs and the National Association of State Boards of Accountancy. Numerous protections are built into this bill and professional standards:

- Licensed CPAs must hold a simple majority of the ownership.
- A licensed CPA with practice privileges must be responsible for registration of the firm.
- The partner/owner in charge of attest services must be a licensed CPA or SPA with practice privileges.
- And all non-CPA owners must be actively engaged in working for the firm, or an affiliated entity. Passive ownership is not permitted.
- Under the UAA provision, unless the firm complies with the ownership requirement, it cannot obtain a license. Only a licensed CPA firm may perform attest services and call itself a CPA firm.

- **Raised Bill No. 5026, "AN ACT CONCERNING THE SECRETARY OF THE STATE'S AUTHORITY FOLLOWING A DECLARATION OF AN EMERGENCY OR MAJOR DISASTER"**

This bill would address another issue that surfaced in election administration in the wake of the October snowstorm. We had several towns that because transportation and communication

were cut in the wake of this devastating storm, did not know if they could successfully hold an election that was scheduled for a week later.

We even had a couple of towns that in desperation begged my office to step in and intervene, take action to postpone the election because they simply could not be ready on time -- they had no power, their polling places had no power, voters could not even get to the polls because trees and power lines were down across town. But my office does not have legal standing to go to court and act on a town's behalf, so the towns were left to themselves to go to court, and this places another burden on a town that is already struggling to cope with the aftermath of the storm. Current law does not specifically contemplate a town or the Secretary going to court to seek relief in the event of a natural disaster, but only recognizes that a voter might be aggrieved by the actions of an elections official.

This bill would allow me, as Secretary of the State and chief elections official in Connecticut, to step in such a case and help a town in the unlikely event that local officials have determined they need to postpone an election due to a disaster. This would be a very rare case, and obviously this authority would be used sparingly. It would give the Secretary of the State legal standing to go to court to request a postponement of an election or other relief in a particular town. But, it would only give me the authority to do so after the Governor has declared a civil preparedness emergency, and after the municipality requests that my office intervene.

I support this bill because cities and towns should be able to count on the Secretary of the State's office as an ally in their timely response to a disaster; they should not have to be burdened with going to court to request an election postponement and occupy precious resources that otherwise could be used to see to it that residents have power, shelter, heat, water and food. Granting legal standing to the Secretary of the State's office in these very limited circumstances would be another tool at the state's disposal to help towns in need.